April 22, 2026

Mr. Ian Choudri
Chief Executive Officer
California High-Speed Rail Authority
770 L Street, Suite 620
Sacramento, CA 95814

Re: 2026 Draft Business Plan Comments on Proposed Tax Increment Financing Authority

Dear Mr. Choudri:

On behalf of California's statewide organizations representing local agencies, the League of California Cities, California State Association of Counties, California Special Districts Association, Rural County Representatives of California, and Urban Counties of California, we write to express our opposition to the California High-Speed Rail Authority's indication in the 2026 Draft Business Plan they are seeking authority to establish Tax Increment Financing (TIF) and Enhanced Infrastructure Financing Districts (EIFD).

While we recognize the significant financial challenges facing the High-Speed Rail project and appreciate the Authority's efforts to identify innovative funding strategies, the proposed value-capture framework raises profound legal, fiscal, and policy concerns for local governments and the communities we serve.

Constitutional and Legal Concerns

As outlined on page 32 of the Authority's 2026 Draft Business Plan, the proposal to divert local tax increment to a state entity appears inconsistent with multiple provisions of the California Constitution. Local sales tax revenues are expressly protected for local governmental purposes, and the Legislature is prohibited from reallocating or transferring those revenues. Similarly, Proposition 1A (2004) guarantees that cities, counties, and special districts retain their constitutionally protected share of property tax allocations. Mandatory diversion of property tax increment to a state authority that is not a constitutionally recognized taxing entity violates these protections and would almost certainly invite extensive litigation.

Equally concerning is the proposal's suggestion that the Authority could exercise regulatory influence over land within station areas. Land use authority is constitutionally reserved to cities and counties. While the state may set standards, it cannot assume direct local planning powers. Any attempt to do so would represent a significant encroachment on local governance.

Threats to Local Fiscal Stability

The proposed TIF model would divert future property tax growth—revenues that local governments rely upon to fund essential public services, including public health and safety, infrastructure maintenance, parks, housing programs, and local transportation improvements. Over the potential 45-year lifespan of a TIF district, these diversions would significantly constrain local fiscal capacity, particularly in communities already struggling with service demands and infrastructure backlogs.

Although school district property tax shares are typically excluded from existing TIF structures such as EIFD's and Community Revitalization and Investment Authorities (CRIAs), the broader fiscal ecosystem is interconnected. Reduced city and county revenue capacity can indirectly affect school support services, public safety coordination, and community investment.

Departure from Established California TIF Frameworks

California's existing TIF tools—including EIFDs and CRIAs—are locally initiated, voluntary, and governed by public financing authorities with local representation. Participation by taxing entities requires affirmative consent, and project priorities are determined through locally adopted financing plans.

By contrast, the High-Speed Rail 2026 Draft Business plan proposed that the authority be given the authority to initiate value-capture models that would override local initiation, governance, and consent principles. This represents a fundamental departure from decades of established public finance policy in California.

Risk of Overlapping Districts and Financial Conflicts

Many proposed station areas already fall within existing EIFDs, redevelopment successor areas, or other financing districts with pledged increment streams. Creating overlapping state-directed TIF districts could create significant legal conflicts, impair existing bond obligations, and undermine local economic development planning efforts.

Conclusion

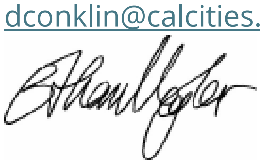
California's cities, counties and special districts support the vision of a modern, statewide high-speed rail system. However, funding that system must not come at the expense of constitutionally protected local revenues, local land-use authority, or the fiscal stability of our communities.

If additional state funding is necessary to advance this project, it should be pursued through constitutionally sound statewide mechanisms—such as voter-approved bonds or dedicated state revenue sources—rather than by diverting local tax increment or weakening local governance.

We respectfully urge the Authority to eliminate this language from their Draft 2026 Business Plan and instead engage collaboratively with local governments to identify funding strategies that consider both statewide infrastructure goals and local fiscal integrity.

Sincerely,

Damon Conklin
Legislative Advocate
League of California Cities
dconklin@calcities.org



Ethan Nagler
Legislative Representative
California Association of Recreation and Park Districts
enagler@publicpolicygroup.com

Marcus Detwiler
Legislative Representative
California Special Districts Association
marcusd@csda.net

Mark Neuburger
Legislative Advocate
California State Association of Counties
mneuburger@counties.org

Sarah Dukett
Senior Policy Advocate
Rural County Representatives of California
sdukett@rcrcnet.org

Jean Kinney Hurst
Legislative Representative
Urban Counties of California
jkh@hbeadvocacy.com

CC: The Honorable Monique Limón, California Senate President pro Tempore
The Honorable Robert Rivas, California Assembly Speaker
The Honorable John Laird, Chair of the Senate Budget and Fiscal Review Committee
The Honorable Jesse Gabriel, Chair of the Assembly Budget Committee

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High-Speed Rail Board Finalizes Plan with Tax Increment Proposal

By Morgan Leskody posted 06-02-2026 11:19 AM

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By: @Marcus Detwiler

Yesterday, June 1, the Board of Directors of the California High-Speed Rail Authority (HSRA) adopted a revised 2026 Business Plan, inclusive of references to legislative proposals related to tax increment financing and land use authority for the High-Speed Rail Project.

CSDA spoke at the June 1 HSRA Board Meeting in-person under public comment stressing that tax increment financing should be limited to those affected taxing agencies that have provided their express, meaningful, and freely-given consent to participate. This testimony reinforced the concerns previously issued by CSDA, along with a coalition of local government organizations, in the comment letter submitted in connection with the 60-day public comment period.

Discussion of the plan by the HSRA Board of Directors included comments relevant to concerns put forward by CSDA and local government stakeholders. Board Members Jason Elliott and Henry Perea as well as State Senator Anna Caballero made comments generally supportive of further collaboration with local government stakeholders. Ultimately, the HSRA Board voted unanimously to approve the 2026 Business Plan.

The draft 2026 Business Plan was first posted to the HSRA website on February 28, 2026, opening a 60-day public comment period that concluded April 29. CSDA positioned at the forefront of the issue, speaking in-person under public comment at the March 2 Assembly Transportation Committee informational hearing, April 27 Senate Transportation Committee informational hearing, and May 7 Senate Budget and Fiscal Review subcommittee hearing.

The HSRA Business Plan is a document that is required by law to be updated by every even year. It provides a snapshot of the most current information about the High-Speed Rail Project at the time of adoption.

Sacramento NBC affiliate KCRA reported on April 29 that a spokesperson for the HSRA said the authority would formally send the finalized version of the Business Plan to the State Legislature by June 1 in part to align its legislative proposals with state budget negotiations.

CSDA will continue to engage with the HSRA and the State Legislature as the State Budget process and High-Speed Rail Project progress to ensure special district revenues are protected and that local control is safeguarded.

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